

## Market Report on Iron Ore Fines

*The month of March has seen some mixed trend with export market seeing a stable movement in the first few days; a downtrend observed across various grades due to weak market demand and high inventory at Chinese ports in the initial period of week 02, however since then the market has seen some sharp price rise across various grades with Chinese market booming.*

**Factors affecting the market:** Backed by increasing Chinese interest, export prices of Indian iron ore fines have been moving higher. The confidence of Chinese market players, the recent resumption in production by some Chinese producers who were having low stocks at the end of February and the recent surge in steel prices by around 10 to 14 percent over a month have further bolstered the positive market sentiment.

The limited supply of Indian iron ore in the Chinese market has prompted a \$5/tonne jump in offer prices from Indian miners in the past week, according to sources. Chinese steelmakers are more readily accepting higher prices as they see steel prices rising and at the same time, they have to re-stock raw materials.

Besides the strong demand, the soaring international price also stimulates the price of Indian iron ore to move up. The price of Australian iron ore, which takes up more than 30% of the international iron ore trading, moves up to USD140/t CIF Chinese major ports, USD20/t higher than that of one month ago. As the price negotiation is about to break down and iron miners mean to sell iron ore according to short-term contract, the price of international iron ore will move up further.

*Also, with the announcement in hike in freight rates the market has further turned stronger.* Indian Railways announced a hike of Rs 300/tonne (\$7/t) in iron ore freight rates on 15 March. The new distance-based rates are applicable only to iron ore meant for export, and are effective from 17-31 March. Not only the higher cost of Indian rail freight is contributing to price rise but also the present shortage of ore from India's Orissa and Karnataka states due to transportation and illegal mining issues.

**Price Movement in the month of March:** The close of week 02 saw **Fe63.5%** to prevail at 140 USD/tonne, cfr, Week 03 closed at 147 USD/tonne cfr while the current prevailing market price is as high as 152 USD/tonne, cfr China.

The close of week 02 saw **Fe61%** to prevail at 125 USD/tonne, cfr, Week 03 closed at 131 USD/tonne cfr while the current prevailing market price is as high as 137 USD/tonne, cfr China.

The close of week 02 saw **Fe58%** to prevail at 114 USD/tonne, cfr, Week 03 closed at 117 USD/tonne cfr while the current prevailing market price is as high as 121 USD/tonne, cfr China.

### **Indian Domestic and Chinese Domestic scenario:**

**Indian domestic iron ore prices climb in March:** Indian domestic iron ore market prices that have been steadily climbing since December are expected to rise Rs 1,000/tonne (\$22/t) higher in April than current levels.

Lump ore 5-18mm (63%Fe) from the southern state of Karnataka is selling at an average of Rs 3,000/t ex-mine, up from Rs 2,200/t last December. Such ore is used mainly in coal-based DRI kilns. The delivered price would include truck and rail freight, 4% VAT and grade-based government royalties. Lump ore 10-40mm (65% Fe) from Karnataka, used primarily for pig iron production, is selling at up to Rs 3,500/t ex-mine.

In Goa, low grade (Fe 54%) lump ore, 6-20mm in size is selling at Rs 2,025/t delivered. This includes taxes, royalty and an average freight of Rs 175/t from mine to DRI plant.

In Orissa, where government investigations into illegal mining have caused major iron ore shortages, prices are higher. Lump ore (5-18mm, 60% Fe) is selling at Rs 3,400-3,500/t, while 62% Fe ore of the same size is priced at Rs 4,000/t excluding freight and including Orissa taxes. Higher grade ore (10-40mm; Fe 65%) currently costs Rs 5,250/t excluding freight.

**Chinese domestic iron ore prices remain firm:** Supported by the recent increase in steel prices and by persistent high prices for imported iron ore, Chinese domestic iron ore prices remain firm.

The price for 66% Fe iron ore concentrate in the Hanxin region of northern China's Hebei province is RMB 1,158/dry metric tonne (\$170/dmt) including VAT. This is up RMB 46/dmt (\$7/dmt) from 26 February and unchanged from last week. Meanwhile, in Hebei's Tangshan city, 66% Fe concentrate is being sold at around RMB 995-1,006/wet metric tonne (\$146-147/wmt) including VAT, around RMB 82/wmt (\$12/wmt) higher than 26 February.

**Market price trend of Iron Ore Fines for various grades in the month of March'10:**

<b>Iron Ore Fine</b>	<b>Indian 63.5%min CNF China</b>		<b>USD/t</b>
	<b>Low price</b>	<b>High price</b>	<b>Avg Price</b>
2010-03-01	140	141	140.5
2010-03-02	140	141	140.5
2010-03-03	141	142	141.5
2010-03-04	141	142	141.5
2010-03-05	139	140	139.5
2010-03-08	139	140	139.5
2010-03-09	139	140	139.5
2010-03-10	139	140	139.5
2010-03-11	140	141	140.5
2010-03-12	140	141	140.5
2010-03-15	140	141	140.5
2010-03-16	140	141	140.5
2010-03-17	142	143	142.5
2010-03-18	144	145	144.5
2010-03-19	147	148	147.5
2010-03-22	148	149	148.5
2010-03-23	149	150	149.5
2010-03-24	150	151	150.5
2010-03-25	150	151	150.5

<b>Iron Ore Fine</b>	<b>Indian 63.5%min FOB India</b>		<b>USD/t</b>
	<b>Low price</b>	<b>High price</b>	<b>Avg Price</b>
2010-03-01	112	113	112.5
2010-03-02	112	113	112.5
2010-03-03	112	113	112.5
2010-03-04	112	113	112.5
2010-03-05	112	113	112.5
2010-03-08	112	113	112.5
2010-03-09	111	112	111.5
2010-03-10	111	112	111.5
2010-03-11	112	113	112.5
2010-03-12	112	113	112.5
2010-03-15	112	113	112.5

2010-03-16	113	114	113.5
2010-03-17	114	115	114.5
2010-03-18	114	115	114.5
2010-03-19	115	116	115.5
2010-03-22	117	118	117.5
2010-03-23	118	119	118.5
2010-03-24	119	120	119.5
2010-03-25	120	121	120.5

**Iron Ore Fine Indian 61%min CNF China USD/t**

	Low price	High price	Avg Price
2010-03-01	124	125	124.5
2010-03-02	124	125	124.5
2010-03-03	125	126	125.5
2010-03-04	125	126	125.5
2010-03-05	125	126	125.5
2010-03-08	125	126	125.5
2010-03-09	125	126	125.5
2010-03-10	125	126	125.5
2010-03-11	125	126	125.5
2010-03-12	125	126	125.5
2010-03-15	125	126	125.5
2010-03-16	125	126	125.5
2010-03-17	128	129	128.5
2010-03-18	131	132	131.5
2010-03-19	131	132	131.5
2010-03-22	134	135	134.5
2010-03-23	135	136	135.5
2010-03-24	136	137	136.5
2010-03-25	136	137	136.5

**Iron Ore Fine Indian 61%min FOB India USD/t**

	Low price	High price	Avg Price
2010-03-01	103	104	102.5
2010-03-02	103	104	102.5
2010-03-03	103	104	102.5
2010-03-04	103	104	102.5
2010-03-05	102	103	103.5
2010-03-08	102	103	103.5
2010-03-09	101	102	101.5
2010-03-10	101	102	101.5
2010-03-11	102	103	102.5
2010-03-12	102	103	102.5
2010-03-15	102	103	102.5
2010-03-16	103	104	103.5
2010-03-17	104	105	104.5
2010-03-18	104	105	104.5
2010-03-19	105	106	105.5

2010-03-22	107	108	107.5
2010-03-23	108	109	108.5
2010-03-24	109	110	109.5
2010-03-25	110	111	110.5

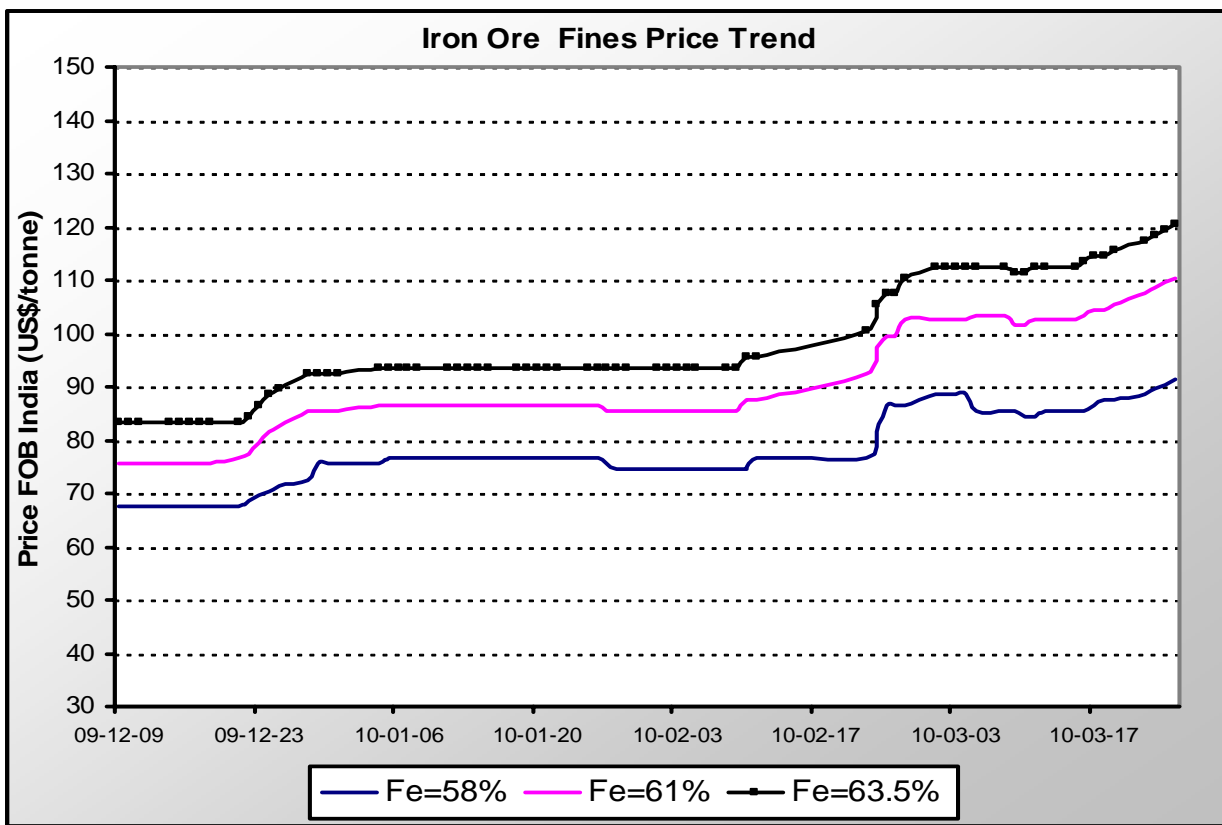
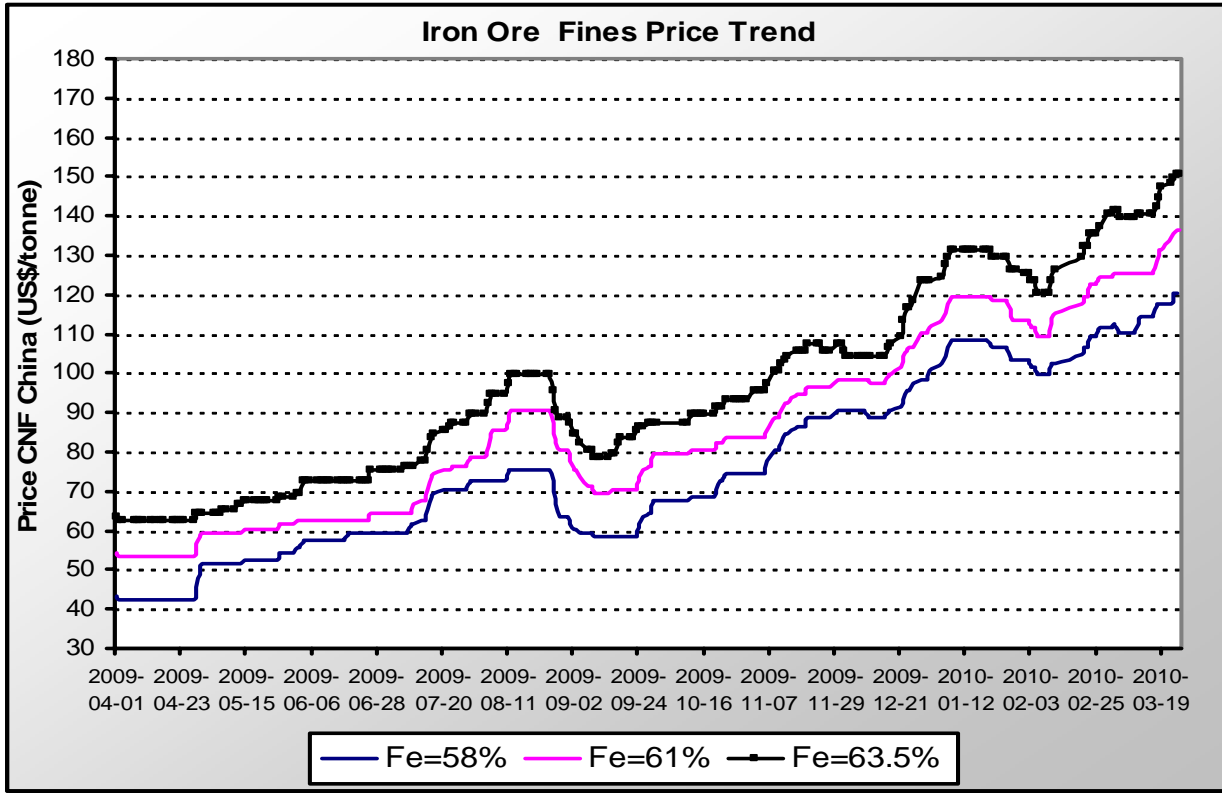
**Iron Ore Fine Indian 58%min CNF China USD/t**

	Low price	High price	Avg Price
2010-03-01	111	112	111.5
2010-03-02	111	112	111.5
2010-03-03	112	113	112.5
2010-03-04	110	111	110.5
2010-03-05	110	111	110.5
2010-03-08	110	111	110.5
2010-03-09	110	111	110.5
2010-03-10	110	111	110.5
2010-03-11	113	114	113.5
2010-03-12	114	115	114.5
2010-03-15	114	115	114.5
2010-03-16	114	115	114.5
2010-03-17	117	118	117.5
2010-03-18	117	118	117.5
2010-03-19	117	118	117.5
2010-03-22	117	118	117.5
2010-03-23	120	121	120.5
2010-03-24	120	121	120.5

**Iron Ore Fine Indian 58%min FOB India USD/t**

	Low price	High price	Avg Price
2010-03-01	88	89	88.5
2010-03-02	88	89	88.5
2010-03-03	88	89	88.5
2010-03-04	86	87	85.5
2010-03-05	85	86	85.5
2010-03-08	85	86	85.5
2010-03-09	84	85	84.5
2010-03-10	84	85	84.5
2010-03-11	85	86	85.5
2010-03-12	85	86	85.5
2010-03-15	85	86	85.5
2010-03-16	86	87	86.5
2010-03-17	87	88	87.5
2010-03-18	87	88	87.5
2010-03-19	88	89	88.5
2010-03-22	89	90	89.5
2010-03-23	90	91	90.5
2010-03-24	91	92	91.5
2010-03-25	92	93	92.5

Source: Asian metal



Note: FOB prices are available from Dec '09 only.

Source: Asian Metal

## Market Outlook:

China's steel consumption is expected to remain high but grow slowly in the short term, according to the chairman of China's Baosteel. Over the long term China's demand for steel-making raw materials, including iron ore and coking coal, will shift from strong to slow growth.

"With the completion of China's industrialization, the intensity of steel consumption required by the economic growth will gradually decline, and the slowdown in steel consumption growth is inevitable," he said. "China's steel industry will enter an era of slow growth in the medium to long term."

As a consequence, demand for iron ore, coking coal and other raw materials for the industry, will shift from strong growth to low growth.

China's steel mills are in talks with global mining giants, including BHP Billiton, Rio Tinto and Vale on this year's iron ore supply contracts. Top iron ore miner Vale said it has implemented a more flexible pricing system for iron ore, shifting from a decades-old benchmark system amid reports it is seeking to more than double ore prices in 2010. That move may face fierce resistance from steel makers in Europe as well as China.

**Rio, BHP chiefs very bullish on iron ore outlook:** Against the background of strong demand for iron ore, especially from China and other big Asian buyers, senior BHP Billiton and Rio Tinto executives were sounding very bullish at an iron and steel conference.

There was lots of talk about new projects, expanding capacity and Chinese demand and little public discussion of the new pricing deals that the big iron ore companies seem to be in the processing of reaching with Japanese steel mills.

These quarterly agreements would seemingly match the quarterly pricing and volume arrangements that BHP struck with buyers of its hard coking coal in Japan, Asia and Europe (but not China).

Rio's iron ore boss, Sam Walsh said he expected delays to the BHP joint venture because the project was very complex; the company was looking at six major projects to boost production, with the driver being an expectation that Chinese demand would double by 2020.

He said this strong growth would happen despite risks of a property bubble and low or no economic stimulus measures.

"We will go through blips along the way, but when you look at the fundamentals of urbanization and industrialization that is happening in China, we feel confident we'll see that growth," he said.

Both Mr Walsh and Mr Ashby reiterated their calls for a quarterly index-based iron ore pricing system.

"There is a disparity between the benchmark (pricing system) and the spot market," Mr Walsh said.

"The benchmark system has to evolve." That's the argument BHP has been making to buyers in 2010 contract talks.